Senate Budget and Fiscal Review—Wesley Chesbro, Chair

SUBCOMMITTEE NO. 3 Agenda

Chair, Senator Denise Moreno Ducheny
Senator George C. Runner
Senator Tom Torlakson

Thursday, March 10, 2005
(Upon adjournment)
John L. Burton Hearing Room (4203)
(Consultant, Anastasia Dodson)

Please Note: Only those items and issues contained in this agenda will be discussed at this hearing. Issues pertaining to these items may be reviewed again. Please see the Senate File for dates and times of subsequent hearings.

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4170 California Department of Aging (CDA)

The California Department of Aging (CDA) is the state agency designated to coordinate resources to meet the long term care needs of older individuals, to administer the federal Older Americans Act and the State Older Californians Act, and to work with Area Agencies on Aging (AAAs) to serve elderly and functionally impaired Californians.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	$ Change	% Change
General Fund	$35,155	$35,207	$52	0.1
State HICAP Fund	1,779	1,780	$1	0.1
Federal Trust Fund	143,322	142,796	-526	-0.4
Special Deposit Account	1,552	1,573	21	1.4
Reimbursements	6,384	6,439	55	0.9
Total	$188,192	$187,795	-$397	-0.2

CDA Issue 1: Medicare Modernization Act Part D Consumer Education

Description: The federal Centers for Medicare and Medicaid Services (CMS) and Social Security Administration (SSA) will soon launch a major media campaign to encourage Medicare beneficiaries to enroll in Medicare Part D prescription drug benefits. Beginning in November 2005, approximately 4.1 million California Medicare beneficiaries will make enrollment decisions for the Part D benefit. As a result, demand for local Health Insurance Counseling and Advocacy Program (HICAP) services is expected to dramatically increase.

The CDA received $765,000 in additional federal funds for HICAP in the current year. The Administration has requested additional funding for Part D consumer education, but the amount of addition federal funds that will be provided is unknown. The CDA and HICAP will face a tremendous need for individual consumer counseling on Part D in 2005-06.

Background:

- **Medicare Modernization Act (MMA) Enrollment in Late 2005:** The MMA created a new Part D prescription drug benefit for Medicare beneficiaries. The initial enrollment period will run from November 15, 2005 through May 15, 2006 for most beneficiaries, but only from November 15, 2005 through December 31, 2005 for beneficiaries eligible for both Medicare and Medi-Cal (dual eligibles). Over 4.1 million Californians, including 1.7 million dual eligibles, may enroll in Medicare Part D.

- **Health Insurance Counseling and Advocacy Program (HICAP):** HICAP is a volunteer-supported program that provides consumers with information about Medicare, related health care coverage, and long-term care insurance. In 2004, HICAP fielded

90,000 consumer phone calls, 40,000 of which resulted in insurance counseling appointments. This figure is expected to increase substantially in the last few months of 2005 when 4.1 million Californians receive MMA enrollment information.

- **Federal Funds for MMA Consumer Education:** Although a total of $900 million federal funds were provided by Congress for MMA advertising, outreach, education, and other implementation efforts, only $31.7 million was provided for local HICAP efforts across the nation in Federal Fiscal Year 2005. Of that amount, California received only $765,000, and this funding has already been spent in the current year. Much of the federal funding is used by the federal Centers for Medicare and Medicaid Services (CMS) to operate a toll-free telephone line to answer consumer questions. However, in many cases consumers calling this line are redirected to local HICAP offices for individual counseling.

- **2005-06 Governor's Budget Request:** The budget proposes to use $93,000 in existing federal funds to establish 1.0 permanent position to develop training and program standards for the HICAP, which will provide consumer information on the federal Medicare Modernization Act. Although the CDA previously contracted with consultants for these types of activities, it now indicates the need for ongoing specialized expertise and closer management oversight. Total funding for HICAP is $6.8 million in the current year and $6.0 million in the budget year. Funding in 2005-06 does not reflect any additional federal funds for MMA consumer education.

Questions:

1. CDA, please briefly describe Part D consumer education needs, and present the Administration's plan to address those needs, including:
    a. Timeline of CDA and HICAP activities.
    b. Details of how the supplemental federal funds for consumer education have been/will be expended.
    c. Description of activities performed by the position requested in the Governor's Budget.
    d. How last year's experience with the Medicare Drug Discount Card can inform Part D consumer information efforts.

2. CDA, has the Administration requested additional federal funds for consumer education? How quickly would these funds be available to local HICAP offices?

Recommendation: The Subcommittee may wish to hold this item open pending information on additional federal funding. The Subcommittee may also wish to ask the CDA to report back to the subcommittee in April with a summary of activities and outcomes related to the HICAP workload increase for the Medicare Drug Discount Card.

CDA Issue 2: Data Collection and Dissemination

Description: Due to the decentralized structure of most of its programs, the CDA does not regularly publish statewide figures on the number of clients served by its programs, funding by program type for each Area Agency on Aging (AAA), or the outcomes of those programs. However, the department is developing a common data set across AAAs, and plans to add statistical fact sheets to its website.

Background:

- **Statewide Data Not Published:** The CDA does not regularly publish statewide figures on the number of clients served by its programs, funding by program type for each Area Agency on Aging (AAA), or the outcomes of those programs. This is due to the decentralized structure of the program, which relies on local AAAs to perform needs assessments and allocate funding according to local priorities. While some outcome data may be available at the local level, and is reported to the federal government, statewide information is not regularly published.

  The CDA indicates it plans to add statistical fact sheets to their website this year. Information that may be contained in the fact sheets will include: expenditures, performance, and client demographics by program.

- **UC Berkeley Recommends Common Data Set:** A 2003 report by the California Policy Research Center at UC Berkeley recommended that CDA take steps to improve the consistency and reliability of data collected by local aging service providers and Area Agencies on Aging (AAA). This report was commissioned by the state in response to SB 910 (Vasconcellos, Statutes of 1999, Chapter 948), which promoted improved data collection for the formation of public policy and legislative action, as well as to allocate resources and provide services. Consistent, regularly reported data would help the Legislature determine if funding is being appropriately allocated and the extent of unmet need for services.

  The CDA indicates that they are in the process of developing a common dataset that will closely mirror the Minimum Data Set (MDS) recommended by the UC Berkeley report. The CDA's efforts include a standardization of descriptions and definitions and agreement that a standard unique identifier must be collected across programs. CDA is moving forward to collect client level data so that comprehensive data comparisons can be performed. The CDA indicates that the California Association of Area Agencies on Aging has endorsed CDA's plan for a common dataset.

Questions:

1. CDA, please explain the steps taken to improve data consistency in response to the UC Berkeley report.

2. CDA, please describe any regularly published information on statewide use and need for local aging services.

Recommendation: The Subcommittee may wish to adopt placeholder trailer bill language to require the CDA to report annually upon release of the Governor's Budget on the number of clients served and funding for each type of service included in the CDA budget, including services provided via AAA contracts.

CDA Issue 3: Multipurpose Senior Services Program – Information Only

Description: Annual funding for the Multipurpose Senior Services Program (MSSP) has remained relatively unchanged since 2002-03, at $46.9 million ($23.5 million General Fund). However, due to program changes included in a recently negotiated federal Medicaid waiver, overhead costs for these sites have increased. As with other home- and community-based waivers, MSSP must meet cost-neutrality provisions that require programs costs not exceed the costs of institutional care.

Background: Local MSSP sites provide social and health care management for frail elderly clients who are certifiable for placement in a nursing facility but who wish to remain in the community. The goal of the program is to arrange for and monitor the use of community services to prevent or delay premature institutional placement of these frail clients. The services must be provided at a cost lower than that for nursing facility care. California currently has 41 sites statewide, which serve up to 11,789 clients per month.

Funding for local MSSP sites of $44.5 million ($22.3 million General Fund) is included in the Department of Health Services budget, and administrative funding of $2.4 million ($1.2 million General Fund) is included in the CDA budget.

Questions:

1. CDA, please explain how funding for MSSP is distributed from the state to local centers, and the CDA's role in monitoring disbursement of these funds.

2. CDA, please describe MSSP program changes included in the renegotiated waiver. Do these changes affect the number of clients that can be served through MSSP?

4200 Department of Alcohol and Drug Programs (DADP)

The Department of Alcohol and Drug Programs (DADP) provides statewide leadership and oversight for local alcohol and drug intervention, prevention, detoxification, treatment and recovery services, including Drug Medi-Cal, Proposition 36 (the Substance Abuse and Crime Prevention Act of 2000), Drug Courts, Drug Dependency Courts, and the Office of Problem Gambling.

Summary of Expenditures (dollars in thousands)	2004-05	2005-06	$ Change	% Change
Program Funding				
Prevention	$71,322	$71,331	$9	0.0
Treatment and Recovery	489,678	497,475	$7,797	1.6
Perinatal	45,195	45,123	-$72	-0.2
Source of Funding				
General Fund	$238,778	$242,630	$3,852	1.6
Federal Funds	290,595	290,598	3	0.0
Reimbursements	72,753	76,007	3,254	4.5
Other Funds	4,069	4,442	373	9.2
Total	$606,195	$613,677	$7,482	1.2

DADP Issue 1: Office of Problem Gambling – Information Only

Description: Implementation of the Office of Problem Gambling (OPG) continues to be delayed. The OPG is funded by $3.0 million from the Indian Gaming Special Distribution Fund in each of the current and budget years. This funding supports three OPG positions, as well as a contract for a situational assessment available later this year, a resource website, and activities for **California Problem Gambling Awareness Week, March 6-12, 2005**.

Background: The Office of Problem Gambling (OPG) was established in August 2003 to reduce the prevalence of problem and pathological gambling. The first priority of the OPG is to develop a statewide plan for a problem gambling prevention program that includes:

- A toll-free telephone service for immediate crises management and containment.
- Public awareness campaigns.
- Empirically driven research programs.
- Training of health care professionals and educators, and training for law enforcement agencies and nonprofit organizations.
- Training of gambling industry personnel in identifying customers at risk for problem and pathological gambling and knowledge of referral and treatment services.

Questions:

1. DADP, please describe the completed and planned activities of the OPG.

DADP Issue 2: Drug Medi-Cal Reimbursement Rates – Information Only

Description: The Budget Act of 2004 reduced Drug Medi-Cal provider rates to 2002-03 levels during 2004-05. The budget proposes to maintain rates at the 2002-03 level in 2005-06, and provides $118.9 million ($62.8 million General Fund) for the Drug Medi-Cal program. This represents a 6.5 percent increase, due to a net caseload increase of 7.7 percent.

Drug Medi-Cal providers have requested a 5.0 percent rate increase for 2005-06 ($3 million General Fund), due to increased costs in recent years associated with the statewide nursing shortage and increased accreditation costs.

The department indicates that at an average cost of $11 to $13 per day, methadone maintenance treatment in particular is a cost-effective alternative to incarceration or hospitalization.

Background:

Approximately 70,000 Californians are anticipated to receive substance abuse treatment through Drug Medi-Cal in 2005-06. Treatment is provided through four modalities:

- **Narcotics Treatment Program** (NTP) provides narcotic replacement drugs (including methadone), treatment planning, body specimen screening, substance abuse related physician and nurse services, counseling, physical examinations, lab tests and medication services to person who are opiate addicted and have substance abuse diagnosis. The program does not provide detoxification treatment. NTP providers are the primary Drug Medi-Cal providers.

- **Day Care Rehabilitative** provides specific outpatient counseling and rehabilitation services to persons with substance abuse diagnosis who are pregnant, in the postpartum period, and/or are youth eligible for Early and Periodic Screening, Diagnosis and Treatment.

- **Outpatient Drug Free** provides admission physical examinations, medical direction, medication services, treatment and discharge planning, body specimen screening, limited counseling, and collateral services to stabilize and rehabilitate persons with a substance abuse diagnosis.

- **Perinatal Substance Abuse Services** is a non-institutional, non-medical residential program that provides certain rehabilitation services to pregnant and postpartum women with a substance abuse diagnosis.

Questions:

1. DADP, please present the Governor's Budget proposal to maintain Drug Medi-Cal rates at 2002-03 levels.

2. DADP, is this proposal consistent with federal Medicaid requirements that rates be based on a rate study, and that rates be set at a level to ensure a sufficient number of providers for adequate client access to services?

DADP Issue 3: Quality Improvement Assessment Fee Report

Description: The Budget Act of 2004 included budget bill language to require the DADP to report to the Legislature by January 10, 2005 on the feasibility of a Quality Improvement Assessment Fee (QIAF) for methadone clinics. If approved by the federal government, a QIAF would allow a fee to be assessed on clinics, and the fee revenue used to draw down additional federal funds.

Background: The Legislature previously approved the establishment of QIAFs for other Medi-Cal providers, including intermediate care facilities for the developmentally disabled (ICF-DDs), Medi-Cal managed care plans, and skilled nursing families (SNFs). The QIAF for ICF-DDs has been fully implemented, but the Department of Health Services is still in the process of implementing the fee for other types of facilities. The federal budget proposed by the President in February would reduce the amount of the fee that may be assessed on facilities, but the option would not be fully eliminated.

Questions:

1. DADP, please present the QIAF report.

Recommendation: Upon review of the report, the Subcommittee may wish to adopt a QIAF for Narcotic Treatment Providers, including placeholder trailer bill language, additional DADP expenditures, and additional General Fund revenue.

DADP Issue 4: Substance Abuse Services for Women and Children in Drug Medi-Cal and CalWORKs– Information Only

Description: The budget estimates that total funding for Drug Medi-Cal will increase by 6.5 percent, while funding for Perinatal Drug Medi-Cal is estimated to decrease by 3.0 percent, due to caseload changes. In 2004-05 the Legislative Analyst's Office (LAO) reviewed the Drug Medi-Cal program and found that a disproportionately small share of the Drug Medi-Cal budget is spent on women and children. Funding for substance abuse treatment under the California Work Opportunity and Responsibility to Kids (CalWORKs) program is also estimated to decline by 6.7 percent in 2005-06.

Drug Medi-Cal Program	Total Funding (dollars in thousands)		Percent Change
	2004-05	2005-06	
Narcotic Treatment Program (including Methadone Dosing)	$71,289	$73,986	3.8%
Day Care Rehabilitative	$6,606	$7,736	17.1%
Outpatient Drug Free	$30,991	$34,522	11.4%
Perinatal Services	$2,773	$2,691	-3.0%
Total	**$111,659**	**$118,935**	**6.5%**

Background:

- **Perinatal Treatment Programs:** The DADP Office of Perinatal Substance Abuse oversees a statewide network of approximately 288 publicly funded perinatal alcohol and drug treatment programs that annually serve over 37,600 pregnant and parenting women accompanied by approximately 56,400 children. These programs are intended to prevent the significant (and costly) health problems that can occur in babies born to substance-abusing women, strengthen families, and improve children's outcomes. Approximately 71 percent of babies born to women in perinatal treatment programs test negative for alcohol or other drug exposure. These programs are funded through a variety of sources, including Drug Medi-Cal, federal substance abuse grants, and the CalWORKs program, which is funded in the Department of Social Services (DSS) budget.

- **CalWORKs Substance Abuse Services:** The budget proposes $45.0 million for CalWORKs substance abuse services in 2005-06, a reduction of $3.0 million compared to 2004-05, due to a decline in caseload. County welfare agencies, which administer the CalWORKs program, provide for the treatment of substance abuse issues that may limit or impair a participant's ability to make the transition from welfare to work or retain employment over a long period of time. The budget includes $2.1 million for substance abuse and mental health services provided by Indian Health Clinics, the same amount included in 2004-05 for these services.

Questions:

1. LAO, please review your findings from 2004-05 regarding Drug Medi-Cal spending on women and children.

2. DADP, please explain why Drug Medi-Cal perinatal caseload has declined.

3. DSS/DADP, how do perinatal services funded by Drug Medi-Cal differ from CalWORKs funded substance abuse services?

4. DSS, please explain why CalWORKs substance abuse services caseload has declined.

5. DSS, how prevalent are substance abuse issues for CalWORKs families? How prevalent are substance abuse issues for CalWORKs families that have been sanctioned?

DADP Issue 5: Proposition 36 Status Update – Information Only

Description: Proposition 36, the Substance Abuse and Crime Prevention Act (SACPA), provides drug treatment instead of incarceration for certain first or second time non-violent adult drug offenders. The law also appropriates $120 million annually through 2005-06 for drug treatment. Although the state must continue spending this amount after 2005-06 to meet its maintenance of effort requirement for the federal Substance Abuse Prevention and Treatment Block Grant, the funding may be used for other drug and alcohol services beyond Proposition 36 clients. The sentencing guidelines established by Proposition 36 do not sunset. Researchers at the University of California at Los Angeles (UCLA) are currently evaluating SACPA results.

Background:

- **Voters Approved SACPA in 2000:** SACPA changed state sentencing laws, effective July 1, 2001, to require adult offenders convicted of nonviolent drug possession to be sentenced to probation and drug treatment instead of prison, jail or probation without treatment. The Act excludes offenders who refuse treatment or who are found by the courts to be "unamenable to treatment." The Act further requires that parolees with no history of violent convictions who commit a non-violent drug offense or violate a drug-related condition of parole be required to complete drug treatment in the community, rather than being returned to state prison.

- **Clients Served and Outcomes:** According to UCLA's November 2004 evaluation of SCAPA, in 2002-03 50,335 clients were referred to the system and 35,947 (71%) received treatment. This "show rate" compares favorably with show rates in other studies of drug users referred to treatment by criminal justice. The UCLA findings include:

    - Most SACPA clients (90%) were on probation. The remaining 10% were parolees.

    - SACPA clients had long histories of drug use and half were experiencing treatment for the first time. Methamphetamine was the primary drug used by 53% of SACPA clients.

    - Most SACPA clients (86%) were placed in outpatient drug-free programs, and 10% were placed in long-term residential programs. However, many clients had drug problems severe enough to suggest a need for residential treatment.

    - Of those clients who agreed to participate in the first year, 34% were tracked to completion. Of the total clients referred (clients entering treatment as well as those who dropped), the completion rate is 24%. SACPA treatment performance rates are typical for drug users referred to treatment.

- Success in treatment was particularly difficult for those with heroin addiction. Few heroin users (12.7%) were treated with methadone detoxification or maintenance programs, despite the proven effectiveness of those programs.

- **Program Funding and Expenditures:** SAPCA appropriated $60 million for 2000-01 and $120 million annually from 2001-02 through 2005-06. Of total expenditures in 2003-04, counties spent 76% on treatment and related services, and 24% on court, probation, and other criminal justice activities. In 2003-04, $8.6 million in federal funds were available for drug testing. Counties spent 62% of this funding on SACPA drug testing and the remaining funds on other allowable federal activities.

Total County Funds Available/County Expenditures FY 2000-01 - FY 2005-06

A	B	C	D	E	F*	G*
	Amount Allocated to Counties	Carryover Funds from Previous Year	Total Funds Available	Total Expenditures	Percentage Expended of Total Funds Available	Percentage Expended of Total Allocation
FY 2000/01	$58,800,000	Not applicable	$58,800,000	$7,177,107	12.2%	12.2%
FY 2001/02	$117,022,956	$54,241,609	$171,264,565	$92,783,434	54.2%	79.3%
FY 2002/03	$117,022,956	$85,971,954	$202,994,910	$136,392,288	67.2%	116.6%
FY 2003/04	$117,022,956	$66,893,352	$184,916,308	$143,211,902	77.4%	122.4%
FY 2004/05	$116,594,956	$52,936,422	$169,531,378	$150,372,498	88.7%	129.0%
FY 2005/06	$116,594,956	$42,446,151	$159,041,107	$157,891,122	99.3%	135.4%

*Columns F and G: Counties can expend more than their annual allocation by using carryover funds from previous fiscal years.

Notes:
(1) The data source for 2000-01 through 2002-03 is the SACPA Annual Financial Status Report/SACPA Reporting Information System.
(2) The figures for 2003-04 through 2005-06 are projections using five percent annual increase through 2005-06. The five percent is based on past history and then applied to future year projections.

- **Unspent Allocations:** Most counties have maintained reserves from previous fiscal years, especially the start-up period before July 1, 2001. Counties have used carryover funds to expend more than their annual allocations (see table above). The department indicates that statewide carryover will be virtually eliminated by the end of 2005-06. The department is drafting regulations to ensure that funds beyond those needed as a prudent reserve are moved to counties that need additional funding.

- **UCLA Program Evaluations:** The UCLA Integrated Substance Abuse Programs is conducting a five-year independent evaluation that will measure the fiscal impact and effectiveness of the program. The November 2004 report, summarized above, describes outcomes in 2002-03. An additional report will be provided to the Legislature by early 2006, and will address whether SACPA leads to overall cost savings, including treatment, criminal justice, and incarceration costs.

- **Farabee et al. Report on Early Program Recidivism:** In late 2004 David Farabee, a UCLA researcher, released a report on criminal recidivism during the first six months of

SACPA implementation. The report concluded, among other things, that SACPA participants admitted to drug treatment from July through December 2001 were more likely to be re-arrested than participants in other criminal justice programs. However, in this time period counties were still solving initial implementation problems, so it is unclear whether future recidivism rates will mirror these results.

- **2005 SACPA Improvement Study:** The department has contracted with the Avisa Group to investigate some of the UCLA findings in greater detail and make recommendations on best practices and program improvements. The Avisa Group report is scheduled to be available in April 2005.

Questions:

1. DADP, please briefly discuss who is being served by SACPA and how they compare to other treatment populations. Also discuss initial program outcome data, including the rate of client participation in treatment services and criminal recidivism.

DADP Issue 6: Drug Courts and Dependency Drug Courts

Description: The budget proposes trailer bill language to extend the Comprehensive Drug Court Implementation (CDCI) Act of 1999 sunset date from January 1, 2006 to January 1, 2007. A report on the CDCI outcomes was due to the Legislature on March 1, 2005.

Also, the Budget Act of 2004 also provided $1.8 million in federal funding to expand dependency drug courts, and required the DADP, with input from DSS, to measure program outcomes and cost-effectiveness of dependency drug courts, including the amount of Foster Care savings realized. The Governor's Budget proposes a 2.6 percent increase for Foster Care, for a total of $1.6 billion to care for 74,000 children.

Background:

- **Drug Court History:** The first drug court in California began in Oakland in 1993. As a result of the significant increase in drug-related crime, Drug Courts expanded in the 1990's. The Drug Court Partnership Act of 1998 appropriated $4 million for competitive grants to counties to expand drug courts, and required periodic reporting to demonstrate the cost-effectiveness of the grants. The Comprehensive Drug Court Implementation (CDCI) Act of 1999 expanded drug courts to include juvenile drug courts, dependency drug courts, family drug courts, and increased capacity in existing adult drug courts. The CDCI was originally due to sunset on January 1, 2005, but was amended in 2003 to sunset on January 1, 2006.

- **Drug Court Program:** Drug Courts use a team approach that emphasizes sobriety and accountability. They integrate drug treatment with other rehabilitation services, conduct frequent drug testing, and provide intensive judicial supervision that deals promptly with relapses of drug use and its consequences. Judges may modify program services and

exercise enforcement options, including jail sentences and other sanctions, to assure client compliance. Drug courts are diverse and serve different populations. There are over 150 drug courts for adult and juvenile offenders in 50 counties in California.

- **Adult Drug Court Results:** In the March 2004 Interim report on the CDCI, the DADP reported that adult drug court participants who completed the CDCI program averted a total of $34.2 million in prison costs, compared to $22.3 million in drug court expenditures. The ratio of prison costs avoided to drug court costs is 1.53 to 1.

- **Dependency Drug Courts:** These drug courts work to reduce foster care costs and increase permanency for children by providing substance abuse treatment to parents who are involved in dependency court cases. Failure to comply with a court-ordered plan could result in termination or limitation of parental rights and placing the child or children in foster care.

- **Dependency Drug Court Results:** San Diego, Santa Clara, and Sacramento Counties have well-established dependency drug courts that have demonstrated significant positive results, including: reduced time to reunification, greater reunification rates, shorter stays in out of home care (including Foster Care), and greater participation in substance abuse treatment. Many studies have found that for one-third to two-thirds of children involved with the child welfare system, parental substance abuse is a contributing problem.

- **Dependency Drug Court Expanded in 2004 with Additional Reporting Language:** The Budget Act of 2004 included $1.8 million federal funds to expand dependency drug courts, as well as trailer bill language as follows: "The department [DADP], in collaboration with the Judicial Council and with input from the State Department of Social Services, shall adopt appropriate data collection and reporting requirements to measure program outcomes and cost-effectiveness, including the amount of foster care savings realized." (Health and Safety Code Section 11970.2 (b) (4))

- **2005-06 Governor's Budget:** The budget proposes trailer bill language to extend the sunset of CDCI from January 1, 2006 to January 1, 2007. Current statute requires the DADP to present a report on the effectiveness of the CDCI by March 1, 2005.

Questions:

1. DADP, why does the Governor's Budget propose to extend the CDCI Act by one year?

2. DADP, please present the CDCI report due March 1, 2005.

3. DADP, please describe the status of the $1.8 million appropriated in 2004-05 for dependency drug court expansion.

4. DADP and DSS, please describe the status of measurements to determine how Child Welfare Services and Foster Care caseload and costs are affected by dependency drug courts. Have

counties with dependency drug courts been provided with specific reporting requirements to measure program outcomes and cost-effectiveness?

5. LAO, please comment on the effect of dependency drug courts on Foster Care and Child Welfare Services caseload.

Recommendation: The Subcommittee may wish to hold this issue open pending further information from DADP and DSS on the cost-effectiveness of dependency drug courts. The Subcommittee may wish to review this issue again at the April Subcommittee hearing on the DSS budget for Child Welfare Services and Foster Care.

5180 Department of Social Services (DSS)

The California Work Opportunity and Responsibility to Kids (CalWORKs) program provides cash benefits and welfare-to-work services to low-income families. CalWORKs is funded through an annual federal Temporary Assistance for Needy Families (TANF) block grant of $3.7 billion, plus $2.7 billion in state funds to meet a federal Maintenance of Effort (MOE) requirement. The state's MOE is based on welfare spending in 1994, adjusted downward for achievement of certain work participation goals. Federal law requires states to spend TANF funds on current and former welfare recipients, with limited exceptions. Accordingly, California spends most federal TANF funds on CalWORKs, and directs some TANF and state MOE funding to activities in other departments.

The budget proposes total TANF/MOE funding of $5.9 billion ($4.7 billion of which will be spent on the CalWORKs program and $1.2 billion to support non-CalWORKs federally allowable activities). This constitutes a $528 million, or 10 percent decrease in CalWORKs expenditures from the current year.

DSS Issue 1: CalWORKs Caseload Estimate – Vote Only

Description: Upon review of the recently available CalWORKs caseload and grant cost data, the Legislative Analyst's Office (LAO) indicates that CalWORKs cost estimates are overbudgeted by a combined total of $135.9 million in the current year and budget year.

Background: The DSS estimates current year and budget year CalWORKs caseload and costs in November and May of each year. The LAO reviews the DSS estimates and compares them to the most recent available data.

Recommendation: The Subcommittee may wish to recognize the identified savings and shift this savings into the TANF reserve for further consideration.

4130 Health and Human Services Agency Data Center (HHSDC)

The HHSDC provides consolidated electronic data processing and project management. The Operations component provides computer services, telecommunications support, information systems, and training support. The Systems Management component manages nine major projects for the DSS and one project for the Employment Development Department (EDD).

HHSDC Issue 1: Transfer of Automation Projects to Health and Human Services Agency

Description: The budget proposes to transfer the HHSDC Systems Management component (including all ten automation projects) to the Health and Human Services Agency (HHSA). The Unemployment Insurance (UI) Modernization project is sponsored by EDD, and the remaining nine projects are sponsored by DSS.

Background: Effective July 1, 2005, the Governor's Budget proposes to eliminate the HHSDC and consolidate the Operations component and the Teale Data Center into the newly proposed Department of Technology Services (DTS). This consolidation proposal is in response to Legislative direction in the Budget Act 2003 to consolidate data center activities. Senate Budget Subcommittee number 4 is considering this proposal.

Due to concerns about the high level of oversight needed to successfully implement and maintain large automation projects, the Administration proposes to transfer the management of the DSS and EDD-sponsored automation projects to the HHSA.

However, the LAO recommends that all DSS-sponsored projects be placed in DSS, as DSS should be held accountable for the projects' success and agencies are designed to provide policy direction and oversight rather than carry out day-to-day operational responsibilities. The LAO also recommends that the EDD-sponsored project be placed at DTS, along with remaining operations component of the HHSDC. To address transition risks, the LAO recommends additional reporting to the Legislature and oversight by the Department of Finance in 2005-06.

Questions:

1. HHSA, please describe the proposal to shift the automation projects to HHSA from HHSDC. Is trailer bill language necessary to implement this proposal?

2. LAO, please present your recommendation.

Recommendation: The Subcommittee may wish to adopt the LAO proposal to: 1) shift all positions and funding for DSS-sponsored projects to the DSS; 2) shift all positions and funding for the EDD-sponsored project to the DTS; 3) adopt placeholder budget bill language to require DSS to provide project status reports and independent oversight reports to the Legislature on a quarterly basis; 4) direct the Department of Finance Technology, Oversight, and Security Unit (TOSU) to review the projects of the next year to ensure that DSS is providing adequate guidance and direction to the projects consistent with state policies and procedures; and 5) adopt

placeholder budget bill language to require TOSU to report to the Legislature by March 1, 2006 on its review of the projects.

Department of Social Services Projects Managed by Health and Human Services Agency Data Center *(Chart prepared by LAO)*

(In Millions)

Project Name	Current Activities	2005-06 Costs
Child Welfare Services/Case Management System (CWS/CMS) Provides a statewide data base, case management tools, and a reporting system for the state's CWS program.	Status: project undergoing major modifications. • Transferring CWS/CMS equipment to Department of Technology Services. • Conducting procurement for new software maintenance contract. • Maintaining and operating current CWS/CMS.	$121.1
Electronic Benefit Transfer Uses debit card technology and retailer terminals to automate benefit authorizations, delivery, redemption, and financial settlement for food stamp program.	Status: implementation. • Completing implementation within counties.	20.8
In-Home Supportive Services (IHSS)/ Case Management Payrolling System Provides case management and payroll services for the IHSS program.	Status: development. • Conducting procurement for the development, maintenance, and operation of replacement system.	13.7
Statewide Automated Welfare System Consists of four separate projects. Provides uniform information technology capability to county welfare offices. Counties belong to one of four consortia.	Status: implementation, and maintenance and operations. • Implementing new system in certain counties. • Maintaining and operating remaining consortium systems.	237.0[a]
Statewide Fingerprint Imaging System Automates the collection, interpretation, and storage of fingerprints for persons applying for public benefits.	Status: maintenance and operation.	8.0
Welfare Data Tracking Implementation Project Determines time-on-aid for CalWORKS program.	Status: maintenance and operation.	3.9

a Some of these costs are included in the Department of Social Services' budget.